High cost refining process

†194. SHRI GIREESH KUMAR SANGHI: Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether it is a fact that the cost of refining process of crude oil (Petroleum products) is high in our country when compared to that of other countries;

(b) what are the stages of process at refineries and the reasons for high cost of refining;

(c) whether Government have any plans to cut down the cost to bring down the prices;

(d) if so, the details thereof; and

(e) if not, the reasons therefor?

THE MINISTER OF PETROLEUM AND NATURAL GAS (SHRI MANI SHANKAR AIYAR): (a) to (e) The cost of refining crude oil depends upon number of factors which *inter alia* include the type of crude oil, the size of the refinery, refinery configuration, age of equipment, technology used etc.

The average refining cost of public sector refineries during 2003-04 was Rs. 511/MT. This cost includes cost incurred towards chemicals, utilities, salaries, maintenance, overhead expenses and depreciation on fixed assets but does not include cost of capital.

Crude oil refining for production of petroleum products involves three stages:—

(i) Primary distillation in atmospheric and Vacuum Distillation Units for the separation of various petroleum fractions;

(ii) Secondary processing for conversion of heavier fractions to distillate products;

(iii) Treatment processes for meeting quality specification of the products.

The cost of refining varies from refinery to refinery and efforts are continuously made to reduce costs. The Centre for High Technology under the Ministry of Petroleum and Natural Gas has taken up a study for

†Original notice of the question was received in Hindi.

operational benchmarking of 15 public sector refineries through M/s Shell Global Solutions International of the Netherlands. Under this study, performance of Indian refineries would be evaluated for certain Key Performance Indicators for comparison with refineries abroad. The results of the study are awaited. Further measures will be decided in the light of this study.

Diesel price

†*195. SHRI RAVI SHANKAR PRASAD:
SHRI RAM JETHMALANI:

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether it is a fact that in view of the falling prices of crude oil in the international market during November, 2004, the consumer price of petrol was lowered;

(b) if so, whether it is also a fact that in view of the increasing crude price in the international market during last few months, the price of petrol, diesel and LPG was increased in the country; and

(c) if so, the reasons for which the price of diesel in the country is not reduced simultaneously with the reduction in the price of petrol due to the falling price of crude?

THE MINISTER OF PETROLEUM AND NATURAL GAS (SHRI MANI SHANKAR AIYAR): (a) The Oil Marketing Companies (OMCs) pay to the refineries the prices of petrol, diesel and LPG on import parity basis taking into account the prevalent international prices of these products. OMCs in turn review the domestic consumer selling prices of these products in consultation with the Government.

As it was decided on 4.11.04 to bridge the gap between domestic retail selling prices and import parity prices of motor spirit (petrol), when import parity prices of petrol fell between 4.11.04 and 15.11.04, petrol prices were reduced *pari passu* on 15/16.11.04. However, as this led to an anomalous situation, petrol prices have been maintained at the 16th November 2004 level, since then.

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